STATE OF SOUTH DAKOTA

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HAND DELIVERED

August 29, 2011

The Honorable Jason M. Gant
Secretary of State
500 E. Capitol
Pierre, SD 57501

RE: **Ballot Explanation**

Dear Secretary Gant,

On August 2, 2011, this Office received the enclosed initiated measure from David Hewett, on behalf of himself and Bryce Healy as co-sponsors of the measure. In compliance with the requirements of SDCL 12-13-25.1, enclosed is the Attorney General's Statement prepared with respect to this measure. By copy of this letter, I am providing the co-sponsors with a copy of the same.

Sincerely,

Marty J. Jackley
ATTORNEY GENERAL

MJJ/ld
Enc.

cc w/enc: David Hewett
Bryce Healy

RECEIVED
AUG 29 2011
S.D. SEC. OF STATE

Draft of Initiated Measure

1. Commencing January 1, 2013, twenty percent of the monies collected pursuant to the South Dakota sales and use taxes imposed by SDCL chapters 10-45 and 10-46 shall be placed in a special fund known as the Moving South Dakota Forward fund. The monies in the Moving South Dakota Forward fund shall be allocated into the following two subfunds within the Moving South Dakota Forward fund: (1) fifty percent shall be allocated to the Moving K-12 Education Forward subfund; and (2) fifty percent shall be allocated to the Moving Healthcare Forward subfund.

2. Monies allocated in Section 1 of this initiated measure shall be disbursed as follows:
   (1) Monies in the Moving K-12 Education Forward sub-fund are continuously appropriated to the public school districts of South Dakota, to be distributed pro rata based upon each school district's relative share of fall enrollment as defined in SDCL chapter 13-13, compared to the fall enrollment of all school districts. Funds deposited in the Moving K-12 Education Forward subfund in the preceding calendar quarter shall be distributed, as provided above, to the public school districts of South Dakota by the first business day of February, May, August, and November of each year, commencing May 1, 2013. Funds received by a school district from the Moving K-12 Education Forward subfund shall be used at the sole discretion of the public school district's governing board for the purpose of improving public education;
   (2) Eighty percent of the monies in the Moving Healthcare Forward subfund shall be spent only for the purpose of funding payments to providers to the South Dakota Medicaid program, which are incurred due to increases in expenses related to the reimbursement rates paid to service providers per unit of service in excess of such reimbursement rates in effect as of July 1, 2011; and
   (3) Twenty percent of the monies in the Moving Health Care Forward subfund shall be spent only for the purpose of funding expenses related to payments to providers to the South Dakota Medicaid program, which are incurred due to increases in the case load volume experienced by the South Dakota Medicaid program from the case levels as of July 1, 2011.

3. No monies deposited in the Moving K-12 Education Forward subfund may be spent in any way, either directly or indirectly, to reduce, supplant, or replace appropriations for any state K-12 education program in existence for state fiscal year 2012, including specifically the state aid to education and special education programs established in SDCL chapters 13-13 and 13-37. The per student allocation in SDCL chapter 13-13 and the per student allocation for each specified disability in SDCL chapter 13-37 shall be adjusted by the annual application of their respective index factors, as set forth in SDCL subdivisions 13-13-10.1(3) and 13-37-35.1(6), as in effect on July 1, 2011. However, the index factor adjustment shall, in no case, exceed the actual percentage growth in state general fund revenues for the most recently completed fiscal year. If the percentage growth in state general fund revenues is less than the index factors in any year, the difference shall be made up in the immediately following years to the extent the percentage growth in state general fund revenues exceeds the index factors.

4. No monies deposited in the Moving Heath Care Forward subfund may be spent in any way, either directly or indirectly, to reduce, supplant, or replace state appropriations for any state Medicaid program in existence for state fiscal year 2012.

5. Effective January 1, 2013, any sales or use tax imposed at a rate of four percent by the provisions of SDCL chapters 10-45 or 10-46 are hereby increased by one percent each to a total rate of five percent each.

Initiated Measure
Attorney General's Statement

Title: An initiated measure to increase state general sales and use taxes for additional K-12 public education and Medicaid funding.

Explanation:

The initiated measure increases the state general sales and use tax rate from 4% to 5%. The additional tax revenue will be split evenly between K-12 public education and Medicaid. The education funds will be provided to school districts based on enrollment, to be spent on improving education as school boards determine. The Medicaid funds will be spent only on payments to Medicaid providers and related state expenses.

The additional funds cannot replace or reduce state funding levels set for fiscal year 2012 relating to existing Medicaid and K-12 public education programs, including state aid to education. Currently, state aid is to be adjusted annually by 3% or the rate of inflation, whichever is less. Under the measure, this annual adjustment cannot exceed the growth rate in state general fund revenues. Any resulting shortfall in state aid will be made up in subsequent years.